

DIAMANT ART CORPORATION

Consolidated Financial Statements

(Canadian Dollars)

3rd Quarter, three & nine months ended

Aug 31, 2011 & 2010.

Year ended November 30. 2010

Unaudited

DIAMANT ART CORPORATION

**Consolidated Financial Statements
(Unaudited)**

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**Three & nine months ended Aug 31, 2011 & 2010
Balance Sheet November 30, 2010**

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NOTICE TO READERS OF THE ACCOMPANYING UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of Diamant Art Corporation (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed an audit of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for an audit of financial statements by an entity’s auditor for the three & nine months ended Aug 31, 2011 and Aug 31, 2010 and balance sheet November 30, 2010.

DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

The board members reviewed the internal controls and procedures and determined that they are appropriate for the Company’s current needs. Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required are disclosed, processed, summarized and reported within the time periods specified by securities regulations, and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The CEO and CFO officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. The issuers’ officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a pink sheet issuer to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities-legislation.

DIAMANT ART CORPORATION**Statement I****Consolidated Balance Sheets**

As at Aug 31, 2011 & November 30, 2010

(Canadian Dollars)

	Unaudited 2011	Unaudited 2010
CURRENT		
Cash	\$ 35,999	\$ 1,036
Accounts receivable	1,467,725	-
Work in progress	5,438,272	-
Accounts receivable	60,911	-
	<u>7,002,907</u>	<u>1,036</u>
PROPERTY AND EQUIPMENT (note 4)	1,858,744	-
	<u>\$ 8,861,651</u>	<u>\$ 1,036</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 405,144	\$ 393,871
Notes payable (note 5)	3,371,667	674,714
Deferred revenue	2,694,609	-
	<u>6,471,420</u>	<u>1,068,585</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (note 7)		
COMMON SHARES	13,508,734	13,336,982
CLASS "C" COMMON SHARES	263,798	263,798
ADVANCE SHARE SUBSCRIPTIONS (note 6)	14,373	14,373
	<u>13,786,905</u>	<u>13,615,153</u>
CONTRIBUTED SURPLUS	11,775,000	11,775,000
DEFICIT – Statement III	(23,171,674)	(26,457,702)
	<u>2,390,231</u>	<u>(1,067,549)</u>
	<u>\$ 8,861,651</u>	<u>\$ 1,036</u>

Description of business and going concern (note 1)

DIAMANT ART CORPORATION
Consolidated Statements of Income (Loss)
For the Periods ended Aug 31, 2011 and 2010
(Canadian Dollars)

Statement II

	Unaudited 3 months Aug 31, 2011	Unaudited 3 months Aug 31, 2010	Unaudited 9 months Aug 31, 2011	Unaudited 9 months Aug 31, 2010
REVENUE	\$ 2,435,269	-	\$ 6,308,103	\$ 913
COST OF GOODS SOLD	451,534	17	1,605,617	17
GROSS PROFIT	1,983,735	(17)	4,702,486	896
Selling, general and administrative	358,396	545	1,031,974	7,305
Foreign exchange (gain)	(7,579)	20,511	(53,846)	9,793
Loan interest	50,690	8,426	145,534	24,964
Total expenses	401,507	29,482	1,123,662	42,062
Profit (loss) before income taxes	1,582,228	(29,499)	3,578,824	(41,166)
Tax provision	75,319	-	292,796	-
NET INCOME (LOSS) AND NET COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 1,506,909	(29,499)	\$ 3,286,028	\$ (41,166)
NET LOSS PER COMMON SHARE	\$ 0.0050	\$ (0.0005)	\$ 0.0108	\$ (0.0006)
NUMBER OF COMMON SHARES	304,015,000	64,361,841	304,015,000	64,361,841

DIAMANT ART CORPORATION**Statement III****Consolidated Statements of Shareholders' Equity (Deficiency)**

For the Years Ended November 30, 2010 and 2009

Period 3 & 9months ended Aug 31, 2011

(Canadian Dollars)

Unaudited

	Common Shares	Class "C" Common Shares	Contributed Surplus	Accumulated Deficit
Balance, November 30, 2009	13,128,337	350,382	11,775,000	(26,435,610)
Issuance of Class "C" common shares	-	-	-	-
Issuance of common shares	3,000	-	-	-
Conversion of Class "C" shares to common shares	86,584	(86,584)	-	-
Debt Conversion	119,061	-	-	-
Net loss	-	-	-	(22,092)
Balance, November 30, 2010	\$ 13,336,982	\$ 263,798	\$ 11,775,000	(\$ 26,457,702)
Issuance of Class "C" common shares	-	-	-	-
Issuance of common shares	-	-	-	-
Conversion of Class "C" shares to common shares	-	-	-	-
Debt Conversion	171,752	-	-	-
Other	-	-	-	-
Net income	-	-	-	3,286,028
Balance, Aug 31, 2011	\$13,508,734	\$ 263,798	\$ 11,775,000	(\$ 23,171,674)

DIAMANT ART CORPORATION**Statement IV****Consolidated Statements of Cash Flows**

For the periods ended Aug 31, 2011 and 2010

(Canadian Dollars)

	Unaudited 3 months Aug 31, 2011	Unaudited 3 months Aug 31, 2010	Unaudited 9 months Aug 31, 2011	Unaudited 9 months Aug 31, 2010
OPERATING ACTIVITIES				
Net income (loss) for the year	\$ 1,506,909	\$ (29,500)	\$ 3,286,028	\$ (41,166)
Adjustment for item not affecting cash				
Unrealized exchange				
(gain) loss	(7,579)	20,511	(53,846)	9,793
Depreciation	31,046	-	223,437	-
	1,530,376	(8,989)	3,455,619	(31,373)
Changes in non-cash working capital components				
Accounts receivable	(11,132)	-	(443,730)	1,221
Work in progress	45,408	-	783,927	(391)
Prepaid expenses and deposits	15,523	-	137,248	-
Accounts payable and accrued liabilities	836	8,191	(1,660)	28,852
Deferred income	(1,128,719)	-	(1,812,773)	-
CASH (USED IN) OPERATING ACTIVITIES	452,292	(798)	2,118,631	(1,691)
FINANCING ACTIVITIES				
Notes payable	(377,968)	-	(1,655,074)	-
	(377,968)	-	(1,655,074)	-
INVESTING ACTIVITIES				
Investment in Subsidiary (incl. acquired cash)	-	-	10,368	-
Purchase of property and equipment	(91,911)	-	(438,962)	-
NET INCREASE (DECREASE) IN CASH	(17, 587)	(393)	34,963	(892)
CASH BEGINNING OF PERIOD	53,586	4,525	1,036	5,024
CASH, END OF PERIOD	\$ 35,999	\$ 4,132	\$ 35,999	\$ 4,132

DIAMANT ART CORPORATION

Notes to the Consolidated Financial Statements

Aug 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND GOING CONCERN

Diamant Art Corporation (the “Company”) was incorporated in Canada on June 24, 1986 under the Ontario Business Corporations Act. The Company presently operates two business segments as follows:

The Company’s T&R technology business provides product management and security solutions and technologies designed to help a variety of businesses improve sales revenue and operations while increasing their profitability. The Company’s products help retail chains, museums, airports, convention centers, hotels, casinos, museums, and department stores increase productivity and performance.

The Company’s Artagraph business markets replications of oil paintings produced under a proprietary process, whereby the brush strokes and surface texture of the original paintings were reproduced by molding a plastic sheet and fusing it to a canvas backing. The replications are marketed as “Artagraphs” and have been sold through a variety of distribution channels. Currently, the Company is totally reliant on the efforts of third parties to market and sell the Artagraph product line.

These consolidated financial statements have been prepared by management and reflect the accounts of the Company and its wholly-owned subsidiaries, Diamant Film Inc. and Bio-Plastics Inc., which were incorporated in March 2004 and September 2006, respectively; Think & React International Inc, incorporated November, 2010, and T&R International B.V. that was acquired December 1, 2010 (see note 3). All inter-company transactions and balances have been eliminated on consolidation.

The presentation adopted in these financial statements does not fully comply with disclosures that would be required under Canadian Generally Accepted Accounting Principles “GAAP” such as: the computation and disclosure of earnings per share based on the diluted weighted average number of common shares; details of tax assets and their allowances resulting in nil balances; segmented information for business segments; estimates of fair value arising from assumptions on the debt to equity conversions and acquired net assets. Other than adjustments to fair value amounts, particularly on net assets relating to the acquisition of subsidiary (note 3), and adjustments should the going concern basis not be appropriate, management believes the additional adjustments and disclosures that may be necessary to be fully compliant with current GAAP would not materially change the financial results and disclosures herein presented.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of obligations in the normal course of business as they come due.

During the 9 months ended Aug 31, 2011, the Company’s subsidiary, Think & React International purchased 100% of the equity of T&R International BV with a 7% note for \$1,500,000.

DIAMANT ART CORPORATION

While T&R International has satisfactory profitability and positive working capital, its purchase was finance by short term debt. As at period ended August 31, 2011, for the first time in recent years, the consolidated working capital was positive at \$444,187, an increase in working capital of \$1,511,736 from year ended November 30, 2010, working capital deficiency of \$1,067,549.

At August 31, 2011, the Company reported a deficit of \$23,171,674. While these conditions may cast substantial doubt as to the ability of the Company to continue in business and meet its obligations as they come due, the Company's new subsidiary, T&R, generated profits. The consolidated net income, as a result of these profitable operations was \$3,286,028.

The Company's continuance as a going concern is dependent on the success of the efforts of its directors and principal shareholders in providing financial support in the short term, the success of the Company in raising additional long-term financing either from its own resources or from third parties, and the Company continuing profitable operations. These financial statements do not reflect the adjustments to the carrying values of liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Inventories

Inventories are valued at the lower of cost and market value. Cost is determined on a first-in, first-out basis. Periodically the Company evaluates its levels of its inventories for obsolescence and slow-moving products and, where appropriate, books an inventory loss-allowance to write-down its inventory book values to cover anticipated losses.

b) Property and Equipment

Property and equipment are recorded at cost less provision for amortization and impairment where indicated. Amortization is provided over the useful lives of these assets calculated as follows:

Equipment, furniture and fixtures ranging from 16% - 33% declining basis

c) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities of the Company arising in foreign currencies are translated at exchange rates prevailing at the balance sheet date. All other assets, liabilities, revenues and expenses arising in foreign currencies are translated at the exchange rates prevailing at the dates of transactions. The resulting gains or losses on foreign exchange are included in the results of operations for the year.

DIAMANT ART CORPORATION**Notes to the Consolidated Financial Statements**

August 31, 2011 ad 2010, and November 30, 2010

(Canadian Dollars)

Unaudited

d) Taxes Payable

Income taxes are recorded using the liability method. Future income and deduction amounts arise due to temporary differences between the accounting and income tax bases of the Company's assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of substantive enactment. Valuation allowances are provided to the extent that realization of such benefits is considered to be more unlikely than not.

e) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is reasonably assured.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

h) Impairment of Long-lived Assets

Senior management periodically reviews the carrying value of its long-lived assets to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management will assess if carrying value can be recovered and will provide for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

DIAMANT ART CORPORATION**Notes to the Consolidated Financial Statements**

August 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited**3. ACQUISITION OF SUBSIDIARY**

Effective December 1, 2010, through a newly incorporated wholly-owned subsidiary, Think & React International Inc., the Company acquired 100% of T&R International B.V. The purchase price consisted of a note payable of \$1,500,000. The note is secured on the assets of Think & React International Inc. The note carries interest at 7% payable annually on the anniversary of the acquisition transaction. The note is repayable on the anniversary date unless extended by the parties in writing.

Under CICA Handbook guidelines for determining the cost of the purchase, the cost of the purchase to the acquirer should be determined by the fair value of the consideration given.

In determining the appropriate interest rate the Company considers the characteristics of its other debt instruments, including interest rates, terms, security and amount of the note or loan instruments compared to current market interest rates; based on this the Company believes the appropriate interest rate to be 7%.

At August 31, 2011, the allocation of the purchase price has not been finalized as the current purchase price allocation is absent certain possible fair value adjustments. The following table summarizes the estimated fair value of the net assets acquired at the date of acquisition:

Current assets (including cash \$10,368)	\$ 7,454,721
Capital assets	1,635,640
Total assets acquired	9,090,361
Less:	
Current liabilities	(4,520,315)
Loan current	(3,070,046)
Net assets acquired	\$ 1,500,000
Fair value of consideration paid:	
7% Note Payable	\$ 1,500,000
Total purchase consideration	\$ 1,500,000

DIAMANT ART CORPORATION**Notes to the Consolidated Financial Statements**

August 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited**4. PROPERTY AND EQUIPMENT**

	2011	2011	2011	2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment – Vehicles, Hardware & Software development	\$ 2,454,658	\$ 595,914	\$ 1,858,744	\$ NIL

5. NOTES PAYABLE

	<u>2011</u>	<u>2010</u>
(i)		
Principal 10% note, secured by general security agreement GSA (Face value of Note \$315,000 United States Dollars)	\$ 301,707	\$ 323,379
Accrued interest – see note 11 subsequent event	179,715	351,335
	<u>481,422</u>	<u>674,714</u>
(ii)		
Principal 7% note, secured by GSA on Think & React International	1,500,000	-
Accrued interest	84,297	-
	<u>1,584,297</u>	<u>-</u>
(iii)		
Advances payable to former shareholder of T&R International BV (see note 3 Acquisition of Subsidiary) unsecured non- interest bearing, demand note. (Face value in Euros).	1,305,948	-
	<u>\$ 3,371,667</u>	<u>\$ 674,714</u>

(i) – additional information on the 10% notes

- a) As the Company has not made timely principal or interest payments, the notes are considered to be in default. Under the terms of the original security agreement, the notes payable shall, at the option of the lenders, become immediately due and payable without notice or demand.
- b) During Fiscal 2010, June 22, 2010 and November 19, 2010, certain note holders negotiated equity for debt conversions; whereby approximately \$US119,000 of unpaid interest was converted in to common shares. The conversion prices ranged from \$0.001 to \$0.0015 on June 22, 2010 and November 19, 2010 respectively. The total common shares exchanges for the debt of \$119,000 were 100,207,225 which represented approximately 98% of the issued and outstanding common shares at November 30, 2010. In March 2011, certain note holders negotiated equity for debt conversions; whereby \$US87,100 of unpaid accrued owed was converted to 87,100,000 common shares. Effective June 3, 2011, note holders converted \$US90,000 of their outstanding balance owed to 180,000,000 common shares.

6. ADVANCE SHARE SUBSCRIPTIONS

The Company accumulates advances of share subscriptions received under its Regulation “S” offerings until the subject offerings are closed. Under the subscription agreement terms, cash proceeds received are not subject to escrow pending receipt of any minimum proceeds. All cash received by the Company is immediately available for use by the Company. Any subscriptions advanced to the Company are reported as advance share subscriptions until such time as the Company closes off subscriptions and issues the shares.

Balance, November 30, 2007	\$ 48,834
Advances	206,924
Issuance of Class “C” common shares	(188,000)
Balance, November 30, 2008	67,758
Advances	34,865
Issuance of Class “C” common shares	(90,000)
Balance, November 30, 2009	12,623
Advances	1,750
Issuance of Class “C” common shares	-
Balance, November 30, 2010 & August 31, 2011	<u>\$ 14,373</u>

7. SHARE CAPITAL

Authorized - An unlimited number of Class “C” common shares, having 100 votes per share, with a non-cumulative dividend right of \$0.01 per share payable only in the event that the annual dividends required in respect of the senior shares of the Company (including its common shares) have been paid. Each Class “C” share is convertible at the option of the holder into 100 common shares of the Company. In the event of dissolution, these shares are entitled to receive the greater of \$0.01 per share or the amounts paid up thereon in priority to the common shares, but are not entitled to share in any further distributions.

Authorized - An unlimited number of common shares with no par value.

DIAMANT ART CORPORATION**Notes to the Consolidated Financial Statements**

August 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited**7. SHARE CAPITAL (continued)*****b) Issued*****Common shares**

Outstanding shares at November 30, 2007	2,138,110,914
Share converted from Class "C" common shares	<u>4,059,600,000</u>
Outstanding shares at November 30, 2008	6,197,710,914
Share converted from Class "C" common shares	<u>603,500,000</u>
Outstanding shares at November 30, 2009	6,801,210,914
Share converted from Class "C" common shares	750,900,000
Consolidation 5000:1	(7,550,600,692)
Consolidation true-up	<u>30,444</u>
	1,540,866
Debt conversion (Note 5)	100,215,225
Share converted from Class "C" common shares	282,779
Restricted issue	<u>30,000</u>
Outstanding common shares at November 30, 2010	102,068,870
Debt conversion (Note 5)	<u>267,100,000</u>
Outstanding common shares at August 31, 2011	<u>369,168,870</u>

Class "C" common shares

Outstanding shares at November 30, 2007	21,305,000
Shares issued from treasury	46,600,000
Shares converted into common shares	<u>(40,596,000)</u>
Outstanding shares at November 30, 2008	27,309,000
Shares issued from treasury	60,000,000
Shares converted into common shares	<u>(6,035,000)</u>
Outstanding shares at November 30, 2009	81,274,000
Shares converted into common shares	(7,509,000)
Consolidation 5000:1	<u>(73,750,247)</u>
Total class "C" shares post consolidation	14,753
Shares converted into common shares	<u>(2,515)</u>
Outstanding class "C" common shares at November 30, 2010 & August 31, 2011	<u>12,238</u>

DIAMANT ART CORPORATION

Notes to the Consolidated Financial Statements

August 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited

7. SHARE CAPITAL (continued)

On January 8, 2008, the Company issued 16,600,000 class "C" common shares through a Regulation "S" offering for cash proceeds of \$83,000.

On May 23, 2008 the Company issued 30,000,000 class "C" common shares through a Regulation "S" offering for cash proceeds of \$105,000.

On June 5, 2009, the Company issued 60,000,000 class "C" common shares through a Regulation "S" offering for cash proceeds of \$90,000.

On March 5, 2010, the Company held a special shareholders meeting to consolidate its issued and outstanding shares by 5000 old to 1 new on both common and common class C shares and having received shareholder approval, it filed Articles of Amendment with the Ontario Ministry of Consumer and Business Services pursuant to which the issued and outstanding Common Shares were consolidated on the basis of 5000 old Common Shares for each new Common. The Company had 7,552,096,414 shares of Common Stock issued and outstanding which has been consolidated into 1,510,422 new shares of Common Stock. The Company declared that shareholders of record on June 16, 2010 will have their shares of Common Stock consolidated as indicated and shareholders will be advised as to the procedures for submission of their old Common Shares for consolidation into the new Common Shares. No fractional shares of the Company will be issued in connection with the consolidation. A shareholder entitled to receive a fraction of a share upon consolidation will receive the number of shares rounded up to the nearest whole number. Further The Company has of the record date of February 3, 2010 72,960,036 Class C common shares issued and outstanding which has been consolidated into 14,753 new Class C Common Shares. The Company declared that shareholders of record on February 3, 2010, will have their shares of Class C Common shares consolidated as indicated and shareholders will be advised as to the procedures for submission of their old Class C Common Shares for consolidation into the new Common Shares. No fractional shares of the Company will be issued in connection with the consolidation. A shareholder entitled to receive a fraction of a share upon consolidation will receive the number of shares rounded up to the nearest whole number.

8. INCOME TAXES

The Company has tax non-capital loss carry-forwards of approximately \$2,096,000. If unused, the tax losses will expire approximately as follows:

2014	398,000
2015	499,000
2026	545,000
2027	210,000
2028	421,000
2030	23,000

DIAMANT ART CORPORATION**Notes to the Consolidated Financial Statements**

August 31, 2011 and 2010, and November 30, 2010

(Canadian Dollars)

Unaudited

9. COMPARATIVE FIGURES

Prior year figures have been reclassified, where necessary, to conform to the current financial statement presentation.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

In management's opinion, the carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as the interest rates on these instruments are similar to rates estimated to be currently available for instruments of similar terms and maturities.

Interest Rate Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on any short-term investments. Management is of the opinion that the Company is not exposed to significant interest rate risks in respect of these instruments due to their short maturities.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not use forward or derivative instruments to mitigate the possible adverse effects of foreign exchange fluctuations.

Quarterly Report
DIAMANT ART CORPORATION
QUARTER ENDED AUGUST 31, 2011

Item 1 Exact name of the issuer and the address of its principal executive offices.

The exact name of the issuer and its predecessor.

Diamant Art Corporation

No changes within the past 5 years

The address of the issuer's principal executive offices.

6 Shields Court, Suite 203, Markham, Ontario, Canada, L3R 4S1

Tel 905) 477 0252

www.diamantartcorp.com

Item 2 Shares outstanding.

(a) Authorized

- i. An unlimited number of Class "C" common shares, having 100 votes per share, with a non-cumulative dividend right of \$0.01. Each Class "C" share is convertible at the option of the holder into 100 common shares of the Company.
- ii. An unlimited number of common shares with no par value.

(b) Issued

Common shares

Outstanding shares at November 30, 2008	6,197,710,914
Share converted from Class "C" common shares	<u>603,500,000</u>
Outstanding shares at November 30, 2009	6,801,210,914
Share converted from Class "C" common shares	750,900,000
Consolidation 5000:1	(7,550,600,692)
Consolidation true-up	<u>30,444</u>
	1,540,866
Debt conversion	100,215,225
Share converted from Class "C" common shares	282,779
Restricted issue	<u>30,000</u>
Outstanding at November 30, 2010	102,068,870
Debt conversion (Note 5)	<u>267,100,000</u>
Outstanding common shares at August 31, 2011	369,168,870

Class "C" common shares

Outstanding shares at November 30, 2008	27,309,000
Shares issued from treasury	60,000,000
Shares converted into common shares	<u>(6,035,000)</u>
Outstanding shares at November 30, 2009	81,274,000
Shares converted into common shares	(7,509,000)
Consolidation 5000:1	<u>(73,750,247)</u>
Total class "C" shares post consolidation	14,753

Shares converted into common shares	(2,515)
Outstanding at November 30, 2010 & August 31, 2011	12,238

Freely tradable shares (public float) as of AUGUST 31, 2011, 369,168,870

Item 3 Interim financial statements.

Attached hereto are the Corporation's Consolidated Financial Statements (Unaudited)

Period nine & three months ended August 31, 2011 & 2010
Balance Sheet November 30, 2010

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Item 4 Management's discussion and analysis or plan of operation.

Diamant Art Corporation (the "Company") was incorporated in Canada on June 24, 1986 under the Ontario Business Corporations Act. The Company presently operates two business segments as follows:

- i. The Company's T&R technology business provides product management and security solutions and technologies designed to help a variety of businesses improve sales revenue and operations while increasing their profitability. The Company's products help retail chains, museums, airports, convention centers, hotels, casinos, museums, and department stores increase productivity and performance.
- ii. The Company Artagraph business markets replications of oil paintings produced under a proprietary process, whereby the brush strokes and surface texture of the original paintings were reproduced by molding a plastic sheet and fusing it to a canvas backing. The replications are marketed as "Artagraphs" and have been sold through a variety of distribution channels. Currently, the Company is totally reliant on the efforts of third parties to market and sell the Artagraph product line.

Going Concern - During the quarter ended February 28, 2011, the Company's subsidiary, Think & React International purchased 100% of the equity of T&R International BV with a 7% note for

\$1,500,000. While T&R International has satisfactory profitability and positive working capital, its purchase was financed by short term debt. As at period ended August 31, 2011, for the first time in recent years, the consolidated working capital was positive at \$444,187, an increase in working capital of \$1,511,736 from year ended November 30, 2010, working capital deficiency of \$1,067,549.

At August 31, 2011, the Company reported a deficit of \$23,171,674. While these conditions may cast substantial doubt as to the ability of the Company to continue in business and meet its obligations as they come due, the Company's new subsidiary, T&R, generated profits. The consolidated net income, as a result of these profitable operations was \$3,286,028.

The Company's continuance as a going concern is dependent on the success of the efforts of its directors and principal shareholders in providing financial support in the short term, the success of the Company in raising additional long-term financing either from its own resources or from third parties, and the Company achieving profitable operations.

The inclusion financial statements of the newly acquired subsidiary T&R International had a substantial impact on: (i) the consolidated financial balance sheet at August 31, 2011, compared with the balance sheet at November 30, 2010; (ii) the consolidated statement of profit and loss for the nine months ended August 31, 2011 compared to the same period in Fiscal 2010. The Company has a profitable base with T&R International. However it remains vulnerable because of a history of working capital deficiency. Historically T&R has had strong profitability (66% gross margin and 50% pretax profit expressed as a percentage of revenues). Provided T&R retains its policy on payment terms, which include irrevocable letters of credit and upfront deposits, with customers, it will ensure it has cash flow to fund growth. By maintaining its profitability tied to management of its working capital the Company can begin to improve working capital ratios and build a stronger balance sheet with improved liquidity. Currently, T&R retains 100% of its operational cash flow to maintain its working capital and repay debt owed its former shareholder.

Item 5 Legal proceedings.

None.

Item 6 Defaults upon senior securities.

None.

Item 7 Other information.

ACQUISITION OF SUBSIDIARY

Effective December 1, 2010, through a newly incorporated wholly-owned subsidiary, Think & React International Inc., the Company acquired 100% of T&R International B.V. The purchase price consisted of a note payable of \$1,500,000. The note is secured on the assets of Think & React International Inc. The note carries interest at 7% payable annually on the anniversary of the acquisition transaction. The note is repayable on the anniversary date unless extended by the parties in writing.

At February 28, 2011, the allocation of the purchase price has not been finalized as the current purchase price allocation is absent certain possible fair value adjustments. The following table summarizes the estimated fair value of the net assets acquired at the date of acquisition:

Current assets (including cash \$10,368)	\$ 7,454,721
Capital assets	1,635,640
Total assets acquired	9,090,361
Less:	
Current liabilities	(4,520,315)
Loan current	(3,070,046)
Net assets acquired	\$ 1,500,000
Fair value of consideration paid:	
7% Note Payable	\$ 1,500,000
Total purchase consideration	\$ 1,500,000

T&R Products

Green Tech Saving Software -T&R has developed software which creates significant energy savings by calculating the number of persons in large facilities (*e.g.*, stadiums, shopping malls) at any given time and automatically adjusting heating and cooling, the level of light, and the use of elevators and escalators in accordance therewith.

The system results in a saving of up to 20% in electrical costs.

Shift Planning Based Upon T&R Generated Databases - T&R's shift planning software combines mathematics, statistics, industrial management, organizational planning, AI and video analysis to create a visual representation for resource allocation. T&R technology collects data from counting systems, combining figures from Point of Sale (number of transactions, item in each transaction, employees, shifts, etc.) to create an employee and organizational standard to increase sales.

T&R is an indispensable tool to maximize and allocate available manpower and resources using the existing number of employees and current budget. Our clients benefit from a markedly heightened sales conversion ratio, higher customer satisfaction, maximized employee performance, reduced labor costs and organizational transparency. Shift planning software is a complete management tool that provides real time data on employee performance by department, by name, and the impact of trends, marketing events/campaigns, and displays.

T&R provides shift planning for its customers, one week in advance, based upon all existing data. The software takes into account 130 variables, and the data collected each day improves upon the existing database.

The minimum conversion ratio improvement achieved until today using this software is 14%.

Shift and Task Management Software - This is a more complete and robust platform, which incorporates our shift planning software with an added capability of live reporting to perform task management and employee allocation based upon real-time data feeds from POS, Counting Software, CCTV, radio-frequency identification ("RFID") chips worn by employees, and other customized tools.

Our software allows institutions and corporations to react immediately to pedestrian traffic flow in order to control and manage crowds for security purposes, to create sales, to avoid lines, etc. Our software is applicable to shopping malls, government buildings, supermarkets, airports, train stations, museums, streets, office buildings, parks, universities, banks, schools, stadiums, concert halls, theaters, hotels and restaurants. We provide the essential data to allocate manpower and resources given a broad gamut of circumstances and specific commercial or institutional needs.

Our products empower our clients real-time by effectively assigning manpower to promote products and services, increase customer and employee satisfaction, and increase sales. People counting also enable our clients to understand immediately the effect of advertising, presentation, layout and design. We provide intelligent customized solutions with a host of managerial functions, tools and resources to enhance performance and reduce operational costs.

RFID Employee Management - This T&R system is intended for use at facilities with large numbers of employees, *e.g.*, airports, factories, oil fields.

The arrival and departure of employees is monitored by means of an RFID chip (instead of punching a time clock) and allows the employer to monitor the movement of employees and to compare such movement with output and other performance parameters.

The system, which operates without human interface, incorporates various security features, for example, if two identical chips should surface, if an employee is located where he/she does not belong, or if an employee does not move over a given period of time.

Video Motion Detection ("VMD") People Counters - T&R's people counting system connects video cameras to a smart processor, the TR-1, which calculates, on the basis of mathematical algorithms, numbers of people and directions of movement. The TR-1 accounts for light, speed, shadows, size of objects, weather variances, color variations, separation between people, and changes in background.

TR-1 is a single-channel VMD solution, boxed or rack-mounted for multiple inputs. Counting is **online** and **real-time** with an internal clock for tracking; in the event of a power outage, TR-1 safeguards the data. TR-1 can communicate using Ethernet, Wi-Fi, Modem, RS485 or RS232. Data collection, display and analysis are accessible from any location on the network.

The TR-1 is customized to customer requirements, integrates with any database, employs user friendly graphics, and installation is simple. Unlike other people counting systems, T&R transmits data via a closed network, and data can only flow between the counting unit and the client's server; only the client can see the data.

System for Identifying the Return for Refund of Stolen Merchandise - T&R has developed a new product to identify stolen merchandise, which is being returned to retailers for a cash refund. The product was developed at the request of T&R clients and has already been test marketed with 100% success. T&R is preparing for a mass manufacture of the system's components.

Other

Until 9 months ago, the company was only operating in the EU market and in Israel. The main focus was to achieve penetration and continue its 100% success with new customers by providing genuine solutions for their businesses.

T&R is working with Strategic Partners in many countries that are authorized VAR's of the company like ADT/TYCO, ShopGard, Afslund and others across the EU. The company started introducing its products and solutions to potential customers in the US and South America with a significant interest and indications of large demand from these markets.

Contracts / Orders

Order Lifetime

Typical: 9 months (270 days)

Shortest: 3 months (90 days)
Longest: 15 months (450 days)

Order size US\$

Typical : Approximately Euro 200K
Smallest: Approximately Euro 35K
Largest: Euro 280K

Customers

Number of customers: Active & Functioning 52 customers
Countries were customers are: Europe (EC), USA, South East Asia, Asia and South America.

Type of customers

Corporations:

Retail Sales corporations
Malls
Shopping centers
Hotel Chains
Fast Food Corporations

Institutes/Government/Crown corporations:

City police
Municipalities

Currency

Euro - European Community and West European clients
US\$ - USA, South America and South East Asia clients

Method of payment & information

Letter of Credit :	- Issued by first class banks or confirmed by first class banks.
Deposit on Order:	- Up to 10% of transaction
Basis of payment draws:	- Milestones based on intervals and stages within agreed time frame.
Typical holdback:	- Most of agreements up to 30 days
Longest holdback:	- 75 Days

Other comments

Installation to customer's orders: - Each order is managed by the project manager ("PM") appointed to the specific project. It is under PM's responsibility to prepare the budget and the Gantt for the specific order. After getting the approval of management and coordinating the timetable with the client PM in charge of maintaining and developing the transaction for client's satisfaction.

Other information on customers' orders

- Warranties are given for the period of 12 months after clients signed approval for the proper installation and functioning of the system installed.
- Training is given by T&R staff.
- Updates customers orders are followed by company management.
- Customizations on customer orders are subject to company's management approval, after receiving the project manager recommendations and updates; usually customization to customer order increases the price for the system.

- The proportions 25% - 30% for hardware and 75%- 70% for the software.
- Installation performed by subcontractors under the supervision of the project manager.

Item 8 Exhibits.

Material Contracts

- i. *Any contract to which directors, officers, promoters, voting trustees, security holders named in the disclosure statement, or the Designated Advisor for Disclosure are parties other than contracts involving only the purchase or sale of current assets having a determinable market price, at such market price*
X None
- ii. *Any contract upon which the issuer's business is substantially dependent, including but not limited to contracts with principal customers, principal suppliers, and franchise agreements;*
X None
- iii. *Any contract for the purchase or sale of any property, plant or equipment for consideration exceeding 15 percent of such assets of the issuer; or*
X None
- iv. *Any material lease under which a part of the property described in the disclosure statement is held by the issuer*
X None
- v. *Any management contract or any compensatory plan, contract or arrangement, including but not limited to plans relating to options, warrants or rights, pension, retirement or deferred compensation or bonus, incentive or profit sharing (or if not set forth in any formal document, a written description thereof) in which any director or any executive officer of the issuer participates shall be deemed material and shall be included; and any other management contract or any other compensatory plan, contract, or arrangement in which any other executive officer of the issuer participates shall be filed unless immaterial in amount or significance.*
X None

Articles of Incorporation and Bylaws.

No changes.

Item 9 Certifications.
Issuer's Certifications.

I, Matityaho Baumel certify that:

1. I have reviewed this quarterly disclosure statement of Diamant ART International Inc;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: October 21, 2011

/S/ MATITYAHO BAUMEL

Electronic Signature
Director
